

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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CEA-01 /078 W

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R 311740Z JUL 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2827

C O N F I D E N T I A L ALGIERS 1713

E.O. 11652: GDS

TAGS: EFIN, ETRD, AG, US

SUBJECT: PROSPECTIVE ALGERIAN EURODOLLAR LOAN

1. ALGERIAN EFFORTS TO SECURE \$400 MILLION DOLLAR LOAN FROM EURODOLLAR SYNDICATE HEADED BY FIRST NATIONAL BANK OF CHICAGO MEETING SOME DIFFICULTY. EMBASSY HAD UNDERSTOOD FROM NEW YORK BANKING SOURCES THAT ARRANGEMENTS TO LOAN BANQUE EXTERIEURE D'ALGERIE \$400 MILLION PLUS \$100 MILLION ON A BEST EFFORTS BASIS VIRTUALLY COMPLETE, AND THAT LOAN REAFP TO BE SIGNED AT ONE AND FIVE-EIGHTHS PERCENT OVER LONDON INTER-BANK RATE AT REPAYMENT PERIOD OF UP TO SEVEN YEARS. REP OF FIRST NATIONAL BANK OF CHICAGO, MICHAEL B. NAGEL, CONFIRMED TO EMBASSY JULY 31 THAT WORKING LEVEL OF CONSORTIUM HAD INDEED COMPLETED ALL PREPARATIONS, BUT ADDED THAT SENIOR LEVELS OF CONSORTIUM BANKS INVOLVED HAD FELT THAT AVAILABLE STATISTICAL DATA ON CURRENT ALGERIAN FOREIGN EXCHANGE SITUATION INSUFFICIENT FOR LOAN OF THIS MAGNITUDE.

2. NAGEL NOTED SENIOR OFFICERS OF CONSORTIUM BANKS (INCLUDING FIRST OF CHICAGO, BANK OF AMERICA, BANQUE NATIONALE DE PARIS, AMEX INTL. LIMITED, BANQUE ARAB INTERNATIONALE D'INVESTISSEMENT, UNION DE BANQUE ARAB ET FRANCAISE, AND TORONTO DOMINION BANK) WORRIED BY INCREASINGLY  
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BAD PRESS REPORTS IN U.S. FINANCIAL JOURNALS ON ALGERIAN

EXTERNAL FINANCES. NAGEL SENT TO ALGERIA TO ELICIT MORE  
BALANCE OF PAYMENTS DATA, AND TO SEEK ALGERIAN GOVERNMENT  
GUARANTEE OF LOAN.

3. AFTER TWO DAYS OF NAGEL'S PLANNED TWO-DAY VISIT, BOTH  
PROBLEMS STILL UNRESOLVED. ALGERIANS STILL UNABLE OR  
UNWILLING TO MUSTER BALANCE OF PAYMENTS FIGURES LATER THAN  
1973. NAGEL, WHO MAY LEAVE ALGIERS TODAY, JULY 31, UNSURE  
HOW CONSORTIUM WOULD REACT IF HE UNABLE TO MAKE  
SUBSTANTIAL PROGRESS ON BOTH ISSUES.

4. EMBASSY WILL ATTEMPT TO CONTACT NAGEL AGAIN BEFORE HIS  
DEPARTURE AND REPORT RESULTS HIS VISIT.

5. COMMENT: CLEARLY ALGERIANS NEED QUICK INFUSION OF FOREIGN  
EXCHANGE TO BOLSTER DETERIORATING BALANCE OF PAYMENTS  
SITUATION. ACCORDING LATEST IMF STATISTICS AVAILABLE TO  
EMBASSY (FIGURES THROUGH MONTH OF MAY 1975), FOREIGN  
EXCHANGE RESERVES HAD DECLINED AVERAGE OF \$152 MILLION  
PER MONTH FROM AUGUST 1974 TO MAY 1975, WITH MAY RESERVES  
BARELY ABLE TO COVER TWO MONTHS OF NORMAL IMPORTS.  
ALTHOUGH GULF STATE LOANS MAY HAVE PROVIDED TEMPORARY  
RELIEF, GIVEN DROP IN DEMAND FOR ALGERIAN OIL, ANY FAILURE  
OF CURRENT LOAN PROCESS WOULD CERTAINLY SUGGEST THAT  
ALGERIANS WOULD SOON HAVE TO BITE THE BULLET HARD AND SCALE  
DOWN AMBITIOUS DEVELOPMENT PLANNING.PARKER

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